City of Morgan Hill

City Council Staff Report

File #: 15-092, **Agenda Date:** 4/1/2015, **Version:** 1

CITY COUNCIL STAFF REPORT
MEETING DATE: *APRIL 1, 2015*

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APPROVED BY: City Manager

MORGAN HILL 2035: RDCS UPDATE

Provide staff with direction on key objectives for the Residential Development Control System (RDCS) Update component of the Morgan Hill 2035 project.

COUNCIL PRIORITIES SUPPORTED:

Ongoing Priorities
Enhancing public safety
Protecting the environment
Maintaining fiscal responsibility
Supporting youth
Fostering a positive organizational culture
Preserving and cultivating public trust

2015 Focus Area
General Plan Update

NARRATIVE:

This report provides the City Council with a summary of key objectives related to developing a new system for growth management in the City of Morgan Hill and identifies background information (see attachments) that helped with prior discussions about growth management that occurred in early to mid 2013.

Since 1977, the City of Morgan Hill has utilized the Residential Development Control System (RDCS) to ensure that new development can be served by existing infrastructure and public services. Some components of the RDCS were established through a voter approved ballot initiative. These components include an overall population cap, a formula for determining the number of building permit allotments available each year, a competition process to award those allotments, specific processing timelines, and reporting requirements. These components have been incorporated into the City's General Plan and ordinances as directed by the ballot language. The City Council has also adopted additional ordinances and policies which provide further guidance on the implementation of the RDCS, but which are modified more frequently as a general vote is not required.

As a significant part of the Morgan Hill 2035 project, the City has indicated that it intends to

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streamline and improve the growth management system to be more efficient, effective, and sustainable while maintaining its most important benefits: a population cap; pace of development; high quality development; and contribution toward community amenities.

Although the growth control system has served the City well by securing public benefits along with new development and by supporting the City's ability to efficiently provide municipal services, administration of the system is complex, expends a significant amount of staff and developer resources, and in some areas has resulted in irregular patterns of land use development. Other cities which had adopted ordinances similar to the RDCS have generally transitioned to greater reliance upon a variety of General Plan polices and ordinances to achieve the same desired land use planning outcomes. Challenges identified with similar systems include the difficulty of the system's administration, inflexibility, and an inability to deliver cohesive land use development patterns.

The purpose of this report is to commence the City Council's discussion and direction on the RDCS update process. As a starting point, the May 2013 Growth Management white paper (attached) recommended a number of considerations in regard to changes to our current growth management system. Subsequent discussion and feedback from the community, stakeholders, GPAC, Planning Commission, and City Council reinforced the key objectives listed below for the Residential Development Control System (RDCS) Update. As part of the following sections, staff has included questions that are recommended to be discussed throughout the RDCS update process. They are not intended to all be decided at this meeting, though any Council direction provided will assist in setting the parameters for the formal update process. It is also important to recognize that there are many other questions that the Council, Planning Commission, developers, or community members may feel are relevant.

After this initial meeting of the City Council, a joint City Council/Planning Commission meeting is scheduled for Wednesday, April 15 to discuss the RDCS update process, and then formal direction from the City Council on the update process and level of community involvement will be requested on Wednesday, May 6. Staff anticipates recommending a comprehensive update process intended to ensure that all questions, ideas, and perspectives are considered and valued. This includes a diverse working committee made up of developers, builders, Planning Commissioners, Morgan Hill Unified School representatives, City staff, and potentially City Council members.

Possible Key Objectives
At the Goal Setting Workshop on January 25, 2013, the City Council directed that, through the Morgan Hill 2035 project, the City's current growth management system should be critically evaluated and that opportunities be considered that would create an efficient, transparent, and predictable system that maintains a population cap; regulates the pace of development; and provides a high level of community amenities.

Establishing a Population Cap
The RDCS currently sets a population cap of 48,000 for the year 2020 and any changes to the population cap must be approved by Morgan Hill voters. The City intends to maintain a population cap within its City policies and has been discussing what an appropriate cap might be as part of the General Plan update process. The City typically conducts a comprehensive General Plan update every 10-15 years. As part of such an effort, the City would typically reevaluate the City population cap or planned population. Because the current General Plan update anticipates a population greater

than the City's current population cap, the update process includes placement of the RDCS on the ballot in 2016 for voter consideration. Other agencies also prepare planning documents (e.g., *Plan Bay Area*, *ABAG Projections*) which include different population targets for Morgan Hill and which are used for regional planning decisions.

Question One: Should the new population cap established through the Morgan Hill 2035 project continue to require approval by a vote of the public or should the population cap only be defined within the General Plan?

Establishing a Metered Growth Rate

During the Vision and Goals process for the 2035 General Plan Update, a new goal was added to emphasize the need for a metered pace of development. Growing in an orderly and measured way enables the City to maintain high service levels and prevents the overburdening of important public assets such as schools, streets, parks, and other public infrastructure. Currently, the RDCS controls growth by limiting the number of new housing approvals based upon a formula corresponding to the overall population cap and the number of years available to reach that cap (currently averaging 250 units per year). Any changes to this metering of approved housing units have to be approved by the voters.

Question 2: Should the growth rate (i.e., yearly housing allocation) be included in the General Plan as opposed to a voter-approved growth management program?

Questions 3: Should the Growth Rate be based upon a target population, an average growth rate, or an annual number of units?

Improving the RDCS Structure

Once the City has determined to cap the number of residential building permits that may be issued (for subdivisions) in a given year, the next question is how to determine who receives those allotments. The heart of the RDCS is a set of rules and procedures for an annual competition amongst developers to award allotments. Other cities with growth control measures have also relied upon similar competitions or awarded allotments simply on a first-come, first-serve basis, or only to projects that meet narrowly defined criteria such that it becomes difficult for more projects to move forward above the annual target amount. An example of the latter would be limiting development to a particular area of the City with limited capacity per General Plan policies.

In the case of Morgan Hill, the RDCS ballot measure mandates specific procedural steps, scoring categories, reporting requirements and other components of the RDCS. In doing so, it is intended to establish a predictable process and give project developers an even playing field. The RDCS also is intended to accomplish a wide variety of objectives for the City, and in so doing contributes to its overall complexity. To provide flexibility, the RDCS also includes components which can be amended by the City on a regular basis. The combined effect of the breadth of issues covered by the RDCS, the complexity of the process and the inherent nature of conducting an equitable and beneficial competition for the award of building allotments results in a residential entitlement process that is longer and more expensive than what would be typical in a community without an RDCS type system.

Overall, through the point system, the RDCS is attempting to achieve multiple City objectives, including:

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1) Promote development at appropriate locations
2) Promote good design practices
3) Fund infrastructure and amenities

Projects receive allotments through the competitive RDCS process based upon their score in several categories, each of which contain criteria related to one or more of these objectives. The points available within each category are sometimes identified as one of several types: 1) design points; 2) location points; 3) purchased points; or 4) "opportunity" points. Design points are intended to reflect desired site and architectural best practices, such as additional setbacks, green building practices, architectural variety, or other design objectives. Location points are tied to the location and existing condition of a project site. These points are intended to promote development at locations closer to Downtown or in proximity to existing infrastructure by awarding additional points to such projects. Location and opportunity points are similar in that both depend upon the site which is chosen for development. Purchase points are points that are generally available to any project that includes a voluntary financial contribution to fund offsite infrastructure construction, acquisition of open space, park maintenance, affordable housing, etc. These points directly raise the cost of development, but also play an important role in the City's ability to maintain its infrastructure and provide various community amenities. "Opportunity" points refer to a subset of design or purchase points that are only available if specific conditions are already in place. For example, a project may receive points for connecting to an existing stub street, but only if it happens to be on a lot with an adjacent stub street.

Commonly, many projects may score the maximum number of points possible within most categories so that a relatively narrow set of criteria actually differentiate which projects receive allotments. Lower scoring projects often receive partial allotments, which can enable them to score more highly when they compete in successive competitions.

As part of the RDCS process, the City reviews and modifies its scoring criteria on an annual basis. Through this process the City attempts each year to shift the emphasis on types of projects that will be developed in the City by rewarding projects that meet particular criteria or incorporate certain features or to correct problems observed in either the conduct of previous competitions or in the actual implementation of projects that have successfully competed and received allotments. The City is in essence potentially re-writing a significant portion of the RDCS each year. While the changes in any give year may be minor, the effects of those changes are difficult to anticipate and may have unintended consequences.

The City's discussion of an update to the RDCS has suggested that the City wants to:

- Make the process easier to navigate for users.

- Reduce staff time used to score the applications.

- Prioritize the development features that encourage superior design quality.

- Improve the system to reflect the features demanded by the market.

- Ensure that the system generates the best projects, as opposed to projects that have the highest points.

It is likely that the current RDCS was also developed with consideration of these goals, but at the same time continues to be perceived as unduly complex and burdensome for both developers and

the City. The City could consider a limited number of changes to the RDCS to clean-up of specific "bottle necks" in the process, or more comprehensively consider development of a significantly simpler system that reduces the number of objectives the City is trying to accomplish through the RDCS. For example, the City could remove design elements from the RDCS and rely upon the City's design review process to achieve design objectives. This would require some updating of the City's zoning code and design guidelines, but would be fairly simple to implement. Or, the City could move to a system modeled on other communities which have transitioned from reliance upon an RDCS-type ordinance to a greater reliance on General Plan growth management policies, such as a phased General Plan.

Question 4: As part of the RDCS Update, to what degree should the City consider overhauling the structure of the RDCS to simplify its implementation and the residential building permit allocation process?

Growth Pattern/Phasing

The RDCS as drafted is intended to give some preference to infill projects, projects located closer to the City's Downtown or to existing infrastructure. The implementation of the RDCS however has not clearly resulted in an efficient or cohesive pattern of growth.

By awarding points to projects that would be located in close proximity to existing infrastructure, or through set asides for small or micro projects, the RDCS is attempting to promote infill development. Conversely, by rewarding projects that contribute more significantly to the construction of new infrastructure or by favoring lower density development, the RDCS can promote outward growth over infill development. Many cities have adopted growth boundaries and other policies to direct growth to specific locations. In some cases cities have incorporated phasing into their General Plan to promote development in a focused area before other areas may develop.

Question 5: Should the City use the RDCS as a tool to encourage contiguous growth and efficient use of land and/or strengthen General Plan policies to promote development in focused areas?

High Quality Development

One component in the evaluation of projects competing for housing allocations is scoring those projects on the quality of their design. According to the provisions of the RDCS in the Zoning Code, "the intent of these criteria is to encourage competition and to promote additional effort which creates innovative designs that satisfy user needs." While the City promotes some quality design measures through the RDCS, it relies more significantly upon subsequent design review processes to implement design standards established within the City's Zoning Code, Architectural Review Handbook, or outside agency requirements.

Some design points only apply to particular types of development and so are not generally accessible to everyone competing in the competition. Design criteria may change significantly from year to year through the RDCS scoring criteria review process, as the City attempts to update the RDCS to reflect changes in building industry practices or changing City objectives. By including design criteria, location criteria and contributions toward community benefits in the same scoring process, projects may elect to forego some quality design measures if they have a superior location or make a significant contribution. Other jurisdictions typically rely upon zoning code standards and design guidelines to promote high quality design in new development. The degree to which a community

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regulates design can vary considerably between jurisdictions depending upon community preference. Morgan Hill could update design standards within its own ordinances and policies to be more in line with standards seen in multiple jurisdictions in the region.

Question 6:Rather than include design criteria as a component of the scoring of residential development proposals, should the design criteria be included in the General Plan, Zoning Code, Policies, and/or Design Guidelines as either mandatory or desirable features?

Question 7: Should the City change the weight of categories within the RDCS to give greater or lesser importance to design issues?

Provision of Community Amenities/Benefits
The RDCS scoring criteria help promote that public and private amenities (e.g., affordable housing, parks, schools, and pedestrian and bicycle amenities) are provided to Morgan Hill residents because, for each amenity offered, a project will receive certain points, and projects must offer at least some amenities to garner enough points to obtain allocations. However, it is currently up to developers to determine which amenities will be offered and the highest scoring projects do not necessarily result in the best combination of amenities or respond to specific community needs. Additionally, developers may offer an abundance of amenities to garner points which off-set lower points in the design and location of the project.

From a park perspective, Morgan Hill relies heavily upon privately (Homeowner Association) maintained open space areas within new development to provide shared outdoor amenity space. Feedback received through the Morgan Hill 2035 process indicates that some community members see a need for more public parks or open space areas that are accessible to the general public. The City could adopt nexus-based parkland dedication requirements or fees separate from the RDCS that could be used to develop additional public parks. Utilization of HOA maintained open space areas however reduces City maintenance costs and is more favored by developers.

It is possible to adopt nexus-based fees for various community amenities or benefits. Because of legal constraints upon such fees, their use may be more limited than funds received through the RDCS process. The development and adoption of such fees can be a complicated process, but once adopted their ongoing implementation is typically less complicated than the RDCS process.

Question 8: Should the City develop and adopt nexus based fees for additional community amenities in lieu of or to supplement reliance upon the RDCS?

Next Step
As stated previously in this report, the City Council and Planning Commission will hold a joint meeting at 5:30pm, Wednesday, April 15, 2015, to discuss the RDCS update goals and process.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:
At the Goal Setting Workshop on January 25, 2013, the City Council directed that, through the Morgan Hill 2035 project, the City's current growth management system should be critically evaluated and that opportunities be considered that would create an efficient, transparent, and predictable system that maintains a population cap; regulates the pace of development; and provides a high level

of community amenities.

FISCAL AND RESOURCE IMPACT:
Preparation of this report and presentation to City Council is within the budget and work plan for the Morgan Hill 2035 project.

CEQA (California Environmental Quality Act):
Categorical Exemption

Section 15306: Information Collection; City Council is providing direction on the key objectives for the RDCS Update component of the Morgan Hill 2035 project.

LINKS/ATTACHMENTS:
1. Growth Management White Paper 5/16/2013 <http://morganhill2035.org/wp-content/uploads/2013/05/3_GrowthMgmt.pdf>
2. Morgan Hill RDCS Briefing 4/25/2013
3. Summary of Themes from Growth Management Symposium 5/29/13 <http://morganhill2035.org/wp-content/uploads/2013/06/GM_Symp_Sum_0618131.pdf>

MORGAN HILL 2035

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CITY OF MORGAN HILL

Morgan Hill 2035
Existing Conditions White Papers

GROWTH MANAGEMENT 3

May 16, 2013

Public Review Draft

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GROWTH MANAGEMENT 3

Since 1977, the City of Morgan Hill has utilized a Residential Development Control System (RDCS) to ensure that new development can be served by existing infrastructure and public services. Although the growth control system has served the City well, administration of the system is complex and expends a significant amount of staff and developer resources. As a significant part of the Morgan Hill 2035 project, the City of Morgan Hill is considering a new growth management system that is efficient, effective, and sustainable to streamline and improve the system's implementation while maintaining its most important benefits: a population cap; pace of development; high quality development; and community amenities. The purpose of this white paper is to provide an overview of:

- Growth management systems in California and their goals,

- Morgan Hill's RDCS,

- The strengths and limitations of Morgan Hill's system, and

- Examples of other growth control approaches that work well to manage growth, benefit their community, and are not onerous to administer or develop under.

3 GROWTH MANAGEMENT

History of Growth Management

Growth management has been a part of the California governance landscape for more than 40 years, ever since Petaluma residents adopted the first voter-approved growth management initiative in the State in 1972. Whereas traditional zoning typically regulates only the use of property and the bulk of buildings – as well as such requirements as parking, aesthetics and landscaping – growth management systems typically regulate the amount, pacing and, in many cases, the geographical sequencing of development as well. Petaluma's ordinance was challenged in court but upheld by the Supreme Court, thus ushering in an era of growth management ballot measures in California.

During the 1970s and '80s, approximately 60 cities in California adopted growth management ordinances that limit residential growth on an annual or semi-annual basis as Morgan Hill's ordinance does. Many of these ordinances were adopted by initiative, as was Morgan Hill's ordinance. The stated purpose of these ordinances was usually to ensure orderly growth that paces residential development with the expansion of public utilities (such as water and sewage) and public services (such as schools and police). In many cases, a second goal was to encourage developers to increase the quality of their development projects.

Although these growth management systems are still in place in virtually all of the cities in which they were adopted in the '70s and '80s, very few growth management ordinances similar to Morgan Hill's have been enacted in the last 25 years. It is important to note that though cities may control the amount of growth within their jurisdiction, they must be able to meet their fair share of regional housing needs as required by State law (California Government Code Section 65580 et. seq.). Therefore, cities may not preclude growth if it would impede the ability to meet the State-mandated fair share of housing allocation.

Growth management ordinances in California have historically used a small number of policy approaches, many of which will be familiar to residents of Morgan Hill. These include:

➢ **Housing and Population Caps.** Housing and population caps aim to limit growth by establishing a housing or population target for a specific period of time. Population caps, like housing caps, typically limit population growth by controlling the number and in some cities the location of housing units that can be built within a stated timeframe.

➢ **Commercial and Industrial Square Footage Caps.** Commercial and industrial square footage caps regulate the amount of non-residential development that can occur over a specific time-period. Few California cities

use this growth management tool, although the City of Santa Barbara has limited commercial development, and the City of Walnut Creek is an example of a City that regulates the development of industrial and commercial uses.[1]

➤ **Infrastructure Adequacy.** Infrastructure adequacy requires that sufficient public infrastructure (i.e. roads, sewer and water, schools, parks, and police and fire service) be in place prior to the construction of new development.

Morgan Hill Residential Development Control System

This section describes the history of Morgan Hill's RDCS, summarizes the recent outcomes of the RDCS, and identifies the strengths and limitations of the growth management system.

History of Morgan Hill RDCS

In the 1970s, the City of Morgan Hill's population was growing at approximately 20 percent per year. In response to this rapid growth and the burden it placed on City services and infrastructure, voters passed the City's first RDCS, known as Measure E, in 1977. Measure E set a population target of 30,000 by the year 2000 and established a system to allocate housing units. The measure was similar to many other growth management ordinances adopted during this era.

However, exemptions and loopholes in Measure E allowed the City's growth rate to remain high. From 1985 to 1990, Morgan Hill was the fastest-growing City in Santa Clara County. In 1988, the City grew by 6.25 percent, nearly double the rate of the next fastest-growing city in Santa Clara County, Milpitas, at 3.34 percent. The population surge impacted schools and overwhelmed the City's ability to provide sewage treatment, water supply, street maintenance, and fire and police protection. Nearly half of the 908 dwelling units approved for construction for the 1990/1991 fiscal year were exempt from RDCS. The City was on track to exceed the 30,000 population target well before 2000.

In 1990, voters amended Measure E with the passage of Measure P, to reduce the exemptions and eliminate the loopholes of Measure E, extend the RDCS to the year 2010, and revise the population target to 38,800 for 2010. Measure P also aimed to prevent urban sprawl and instead concentrate growth toward the center of the City by prohibiting the City from annexing new land to its urban

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[1] Fulton, William and Paul Shigley. *Guide to California Planning, 4th Edition*, Solano Press, page 230.

service area, with the exception of "desirable infill,"[2] until the City Council could determine that the amount of developable land within the City's borders could not accommodate 5 years of residential growth.

For properties on the outskirts of the City under consideration for annexation by the Santa Clara County Local Agency Formation Commission (LAFCO), Measure P included a Density Restriction which limited development of these properties to the density permitted under the Santa Clara County General Plan prior to annexation.

Measure P was set to expire in 2010; however, in March 2004, Morgan Hill voters approved of Measure C. Measure C continued the housing allotment system, the desirable infill requirement when evaluation requests for inclusion in the City's Urban Service Area (USA) boundary beyond the developable land needed to accommodate five years of growth, and the Density Restriction for another ten years, and set the population target to 48,000 for the year 2020. Measure C also adjusted the unit allotment formula to encourage a more consistent annual distribution of housing units.[3]

There are two voter approved exemptions to the RDCS; both are in the Downtown area. Measure F, approved by voters in November 2006, allows 100 residential unit allotments for projects up to 25 units within the Downtown. Measure A, passed in May 2009, allows up to 500 allotments for the 20-block area within the Downtown Specific Plan, as shown on Figure 3-1.

The City Council also established a single unit exemption policy to the RDCS as part of its Residential Development Control Implementation Policies originally approved in March 1991 (updated in April 2010). The policy generally allows for the last development of one housing unit, replacement units, and secondary dwelling units. It includes seven types of exemptions, detailed below:

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[2] "Desirable infill" refers to a residentially planned tract of land 20 acres or less that is either abutted on at least 50 percent on each of two sides by the city, or USA, or abutted at least 50 percent on one side by the USA and having two other sides within a ¼-mile of the USA boundary. Prior to approving development under this exemption, the City Council must find that the expansion would not unduly burden City services and would benefit the general welfare of the city by promoting orderly and contiguous development with the provision of infrastructure improvements, or allowing for the establishment of public facilities such as parks, schools, or other buildings to be owned or operated by the City, school district, water district, or any other public agency.

[3] City of Morgan Hill, 2010. *Morgan Hill Housing Element 2010*, page A73.

Figure 3-1   Downtown RDCS Exemption Areas
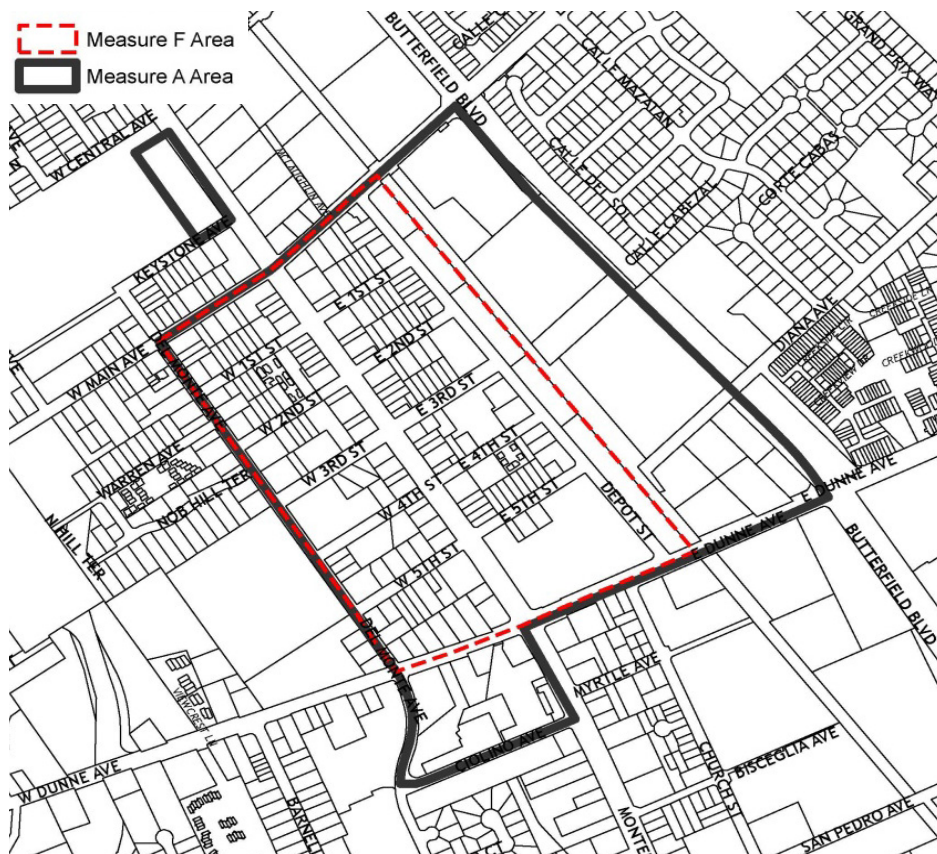
Source: City of Morgan Hill.

> Constructing a single-family dwelling on a vacant lot or a lot that was part of a vesting tentative map that was accepted for processing prior to the effective date of the RDCS on December 8, 1990.

> Constructing one dwelling unit additions to existing single and multi-family dwelling units (e.g. converting a single dwelling to a duplex, a duplex to a triplex, etc.).

> Replacing an existing and habitable single-family dwelling with a duplex, a duplex to a triplex, etc.

> Subdividing property which contains an existing single-family dwelling to create two lots and a construction of a new single-family dwelling unit on the newly created vacant lot.

> Moving an exempt unit from one lot to another, when the existing unit is incorporated into a 100 percent affordable project or a project awarded a building allocation under the 20 percent affordable housing set-aside.

> Constructing residential care facilities, nursing homes, convalescent hospitals, and elderly/assisted living care.

> Constructing commercial lodging facilities or motels.

The current growth management measure will expire in the year 2020.

RDCS Allotment Process

Section 18.78 of the Morgan Hill Zoning Code regulates the Residential Development Control System allocation process, which occurs on an annual or biannual basis. Developers or property owners who wish to build housing units (and do not meet any of the RDCS exemptions) are required to compete for the annual or biannual distribution of housing allocations.

Project Evaluation

Projects are divided annually into competition categories so that similar projects are compared against one another, ensuring a fair review process. The categories are typically as follows:[4]

> **Micro** – Projects consisting of a maximum of six units.

> **Small** – Projects consisting of between 7 and 15 units.

> **Open Market** – Projects consisting of more than 15 units.

> **Senior Housing** – Projects of any housing type for persons 55 years and older and as defined in Section 18.04.393 of the Municipal Code.

> **Small Vertical Mixed Use** – Maximum of 15 dwelling units with a mix of ground floor retail or office and residential use allowed in mixed use districts typically in the Downtown, or other districts such as the Central Commercial/Residential (CC-R) or Light Commercial/Residential (CL-R) zoning districts.

> **Multi-Family Rental** – A development of any size providing market rate rental housing, typically apartments.

For each allocation year, the City Council decides upon the total number of allotments to be awarded as well as the specific number of allotments for each of the competition categories, based upon a formula that calculates the number

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[4] City of Morgan Hill website, http://www.morgan-hill.ca.gov/index.aspx?NID=109, accessed on April 2, 2013.

of units available in the population cap divided by the number of years remaining in the RDCS.

Projects determined to conform to the General Plan and Zoning Ordinance are then evaluated according to a series of standards and criteria contained within 14 separate categories. However, for micro projects, the City evaluates these projects using only nine of the 14 categories because some of the categories are not applicable. The point scale takes into account the proposed development's impact on the following public facilities and services: the water supply system; sanitary sewer and treatment plant; drainage and runoff; fire and police protection; traffic; and other municipal services. Proposed developments are also awarded points for the provision of schools (i.e. payment of impact fees and providing safe walking routes to schools), related facilities, open space, orderly and contiguous development, public facilities, parks and trails, low-income and moderate-income housing, diversity of housing types, quality of architectural design and site design, and for enhancing the livability of the area.

Within each of these categories are an extensive number of standards and criteria that applicants must meet to receive points. The point value for the standards and criteria are all weighted differently. For example, an applicant may receive a half-point for installing first aid kits in the kitchens of new homes and up to 15 points for providing below market rate (BMR) affordable housing.

Those projects that score at least 7.5 points for factors relating to public facilities and a minimum of 160 points for criteria related to design and amenities are eligible to receive allocations. Projects with 100 percent affordable or senior housing need only score a minimum of 150 points for criteria related to design and amenities.[5]

Allocation Awards and Next Steps

Generally, projects that receive the highest points are awarded a building allotment. Subsequent to receiving RDCS building allotments, a project applicant need to file for land entitlements to complete the project that may include but is not limited to:

➤ Zoning Amendment
➤ Development Agreements
➤ Subdivision
➤ Design Review
➤ Building Permits

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[5] City of Morgan Hill, 2010. *Morgan Hill Housing Element 2010*, page A74.

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A property owner or developer must physically commence construction of the allotment by the end of the fiscal year for which it was allocated. Applicants who do not meet the construction deadline will lose their allotments and will need to reapply in a subsequent competition. The City Council has the discretion of granting applicants an extension if they are unable to begin construction within the agreed upon timeframe for the following reasons:

- ➤ City failure to grant a building permit due to an emergency.
- ➤ Complications with environmental review.
- ➤ Delays that are not caused by the developer.
- ➤ Allotment appeals processing.

Development Agreements

All projects that receive RDCS allotments must enter into a Development Agreement (DA) with the City that describes the project commitments, phasing, and construction. Any modifications to the DAs must be considered at public hearings before the Planning Commission and then the City Council. The City Council may approve, reject, or conditionally accept the proposed modification(s) to the DA. Potential DA modifications even to improve the project or the benefits to the community, therefore, could create construction delays and adds additional staff review time to process the RDCS allocations. The City has attempted to streamline the process in cases where only a time extension is requested, however, Council approval is still required.

Appeals

Once the scoring outcomes are released, those entities who disagree with the decisions may appeal the process. In particular, the following groups may appeal the scoring of RDCS applications to the City Council:

- ➤ Applicants who did not receive housing unit allocations.

- ➤ Outside public agencies who assisted with the project evaluation, such as the school district or CAL FIRE.

- ➤ A Morgan Hill citizen or group of citizens.

The City Council will review the project scoring and will either affirm the original scoring or modify the project scoring. All Council decisions for RDCS appeals are considered "final and conclusive."

Results of RDCS

Historically, the RDCS resulted in more building allotment requests then there have been allotments available. However, in more recent years, there have been fewer allotment applications and most, if not all, of the projects requested allotments received them. It seems likely that the relationship between the num-

ber of allotment requests and number of allotments granted mirrors the state of the economy during each allocation cycle.

On average, the City has allocated 225 housing units through the RDCS process between Fiscal Year (FY) 2002/2003 – FY 2012/2013. As shown in Figure 3-2, RDCS unit allocation does not necessarily result in the issuance of building permits. Again, this is likely tied to the health of the economy and a project's ability to secure funding. From 2002 through 2005, more building permits were issued than units allocated as older allocations were absorbed, but from 2006 through 2011, allocations exceeded building permits. Building permits soared from 98 in 2011 to 431 units in 2012. In the first quarter of 2013, 400 building permits have been issued. This is a strong indicator that building permits are finally being issued for projects previously allocated but delayed because of market conditions. Another reason for the recent increase in permit issuance is that developers are trying to stay within the deadline of the City's BMR Reduction Program which allows developers to waive requirements for BMR housing if done within the timeline of the program.

Figure 3-2   RDCS Unit Allocations and Building Permits Issued
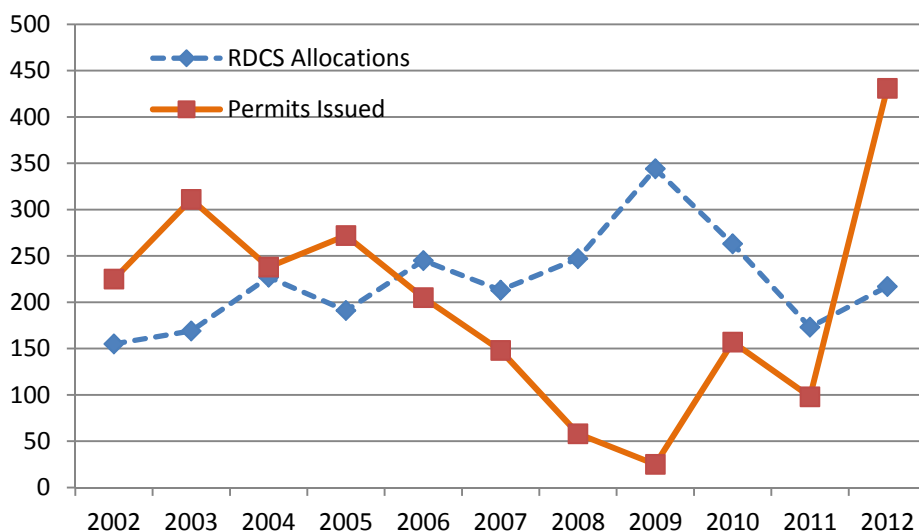
Note: RDCS allocations are by fiscal year (July 1 to June 30) rather than calendar year; for example, allocations shown for 2011 are for FY 11-12. Building permits are by calendar year.
Source: City of Morgan Hill; BAE, 2013.

As discussed in the Population and Housing White Paper, according to estimates from Nielsen, Morgan Hill added approximately 2,200 new housing units between 2000 and 2013, or approximately 170 units per year which is lower than the 225 housing unit average annual allocation. This is another in-

dicator that the number of housing unit allocations does not necessarily result in a similar pace of constructed housing units.

One of the goals of the RDCS is to achieve a steady rate of growth so that there are sufficient public services and infrastructure to support the new population. Figure 3-3 shows Morgan Hill's annual rate of growth from 2001-2012. Morgan Hill's overall annual average rate of growth from 2001-2012 was 1.17 percent. However, the annual rate of growth fluctuated during this period, ranging as low as negative 0.30 percent in 2003 to a high of 2.62 percent in 2007. In 2012, Morgan Hill was the 15th-fastest growing City of the approximately 500 incorporated cities in California.[6] In comparison, the average annual rate of growth for Santa Clara County from 2001-2010 was 0.53 percent, less than half of Morgan Hill's annual average growth rate. Instead of the large peaks and dips of growth Morgan Hill experienced, as shown in Figure 3-3, Santa Clara County's growth either increased or decreased at a steadier rate. Further study would need to be done to understand how the RDCS is affecting population growth. However, since the RDCS is Morgan Hill's growth management system, it is likely the RDCS combined with economic conditions have a strong influence on the rate of population growth in the City.

Figure 3-3   Average Annual Population Growth, 2001-2013
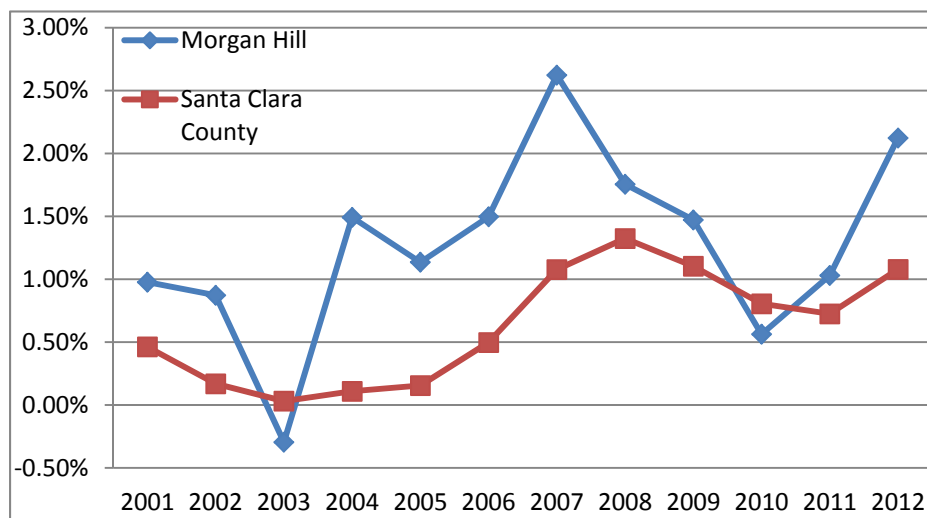
Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010, with 2000 & 2010 Census Counts; Population Estimates for Cities, Counties, and the State January 1, 2012 and 2013. Sacramento, California, November 2012 and May 2013.

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[6] Department of Finance, New Population Projections: California to Surpass 50 Million in 2049 Press Release, January 31, 2013.

Figure 3-4 compare changes in Morgan Hill's population from 2001 to 2010 to three other California communities that have a similar relationship to their regions as does Morgan Hill, and are surrounded by undeveloped land, but do not have growth control measures in place. These graphs show that all four cities experienced variable population growth rates: Turlock experienced the most significant variation, from a high of 4 percent per year to a low of 0.2 percent per year. Auburn, the smallest City examined at only 14,000 people, experienced the lowest variation in population change, from a high of 1.6 percent to a low of 0.0 percent per year. Morgan Hill and Fairfield were in in the middle of the pack, with Fairfield (the largest city examined, at 106,000 people) ranging from a high of 2.3 percent to a low of -0.5 percent population change per year, and Morgan Hill ranging from 2.6 percent to -0.2 percent per year. Both Fairfield and Morgan Hill experienced the same spread from low to high over this period, of 2.8 percentage points. Although definitive conclusions cannot be drawn from this small sample size, other California communities without growth control mechanisms experience both more significant swings and less significant swings in population change from year to year than does Morgan Hill.

Figure 3-4   Comparison of Morgan Hill Population Growth to Cities Without Population Caps or Yearly Housing Allocation Systems
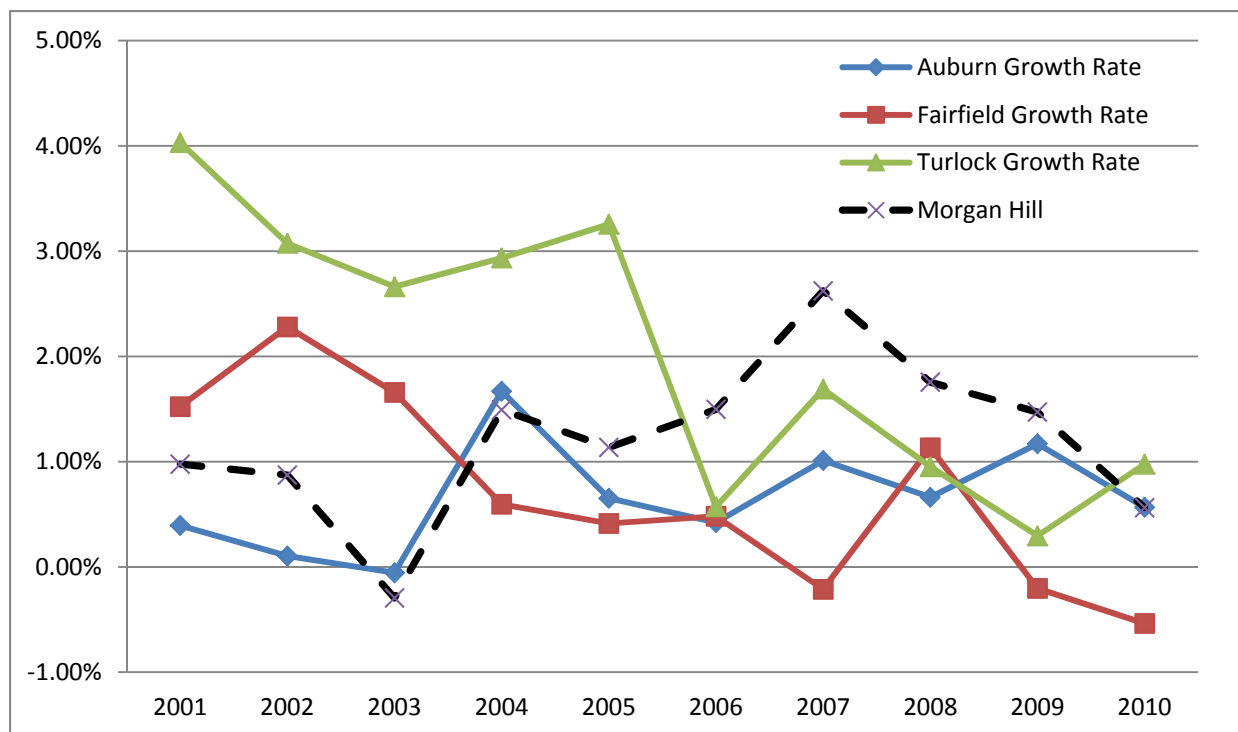
Although developers or property owners with RDCS allocations are supposed to construct the allocated units within the specified timeframe, many applicants do not meet their original development schedule, and instead request to extend their deadlines to future fiscal years. In addition, projects with phased unit allocations can take years to complete. This means that housing units are built bit by bit as permitted under the requirements of the RDCS. The delayed timeframe requires additional staff resources to monitor the projects' progress and Planning Commission and City Council time to review the projects' status.

The RDCS has helped finance and construct a variety of public infrastructure improvements in Morgan Hill. Improvements ranged from roadway extensions and widenings to pedestrian enhancements such as the installation of crosswalks, sidewalk repair, and the construction of paved pathways. These improvements were possible due to the financial commitments by the development community as part of the RDCS process.

City planning staff are responsible for reviewing the status of projects that received housing unit allotments on a quarterly basis. If the planning staff determine that insufficient progress is being made or if the project is behind schedule according to the approved DA, the planning staff reports the status to the Planning Commission and the City Council.

RDCS project monitoring is a complicated process particularly because there are multiple, concurrent projects operating at varying timelines. In addition, multi-year phased projects increase the monitoring efforts of staff. For example, it is not unheard of for a phased project to take up to ten years to get developed from the initial construction year to the end year.

As of May 2013, staff are currently monitoring 45 residential projects. Monitoring involves staff updating Quarterly RDCS Reports, making sure RDCS commitments are met throughout development processes (e.g. collecting Transferable Development Credit, open space in-lieu fees, and making sure BMRs/housing fees are provided). Monitoring also involves staff maintaining a database of projects, Commencement of Construction deadlines, and sending out notices (via certified mail) to projects in jeopardy of missing the deadline. These generally result in applicants submitting requests to amend their DA. Most RDCS projects have multiple DA's that require staff (including City Attorney) time to review the requests and prepare and present staff reports to the Planning Commission and City Council. Projects with multiple phases have multiple DA's because the terms and commitments vary annually.

In general, the RDCS has mainly produced high quality, single-family housing. However, with the recent exemptions for downtown housing, requirements of the Downtown Specific Plan for higher densities, and the addition of the Multi-Family Rental category, it is hopeful that the future housing mix could become more diverse.

Strengths and Weaknesses of the RDCS

With over 35 years of history in Morgan Hill, the City's system of pacing and regulating development has become accepted and expected. It has been renewed and refined multiple times by voters, who appreciate the important benefits that the RDCS has offered the community. Specifically, the RDCS:

➤ Ensures that new development does not outpace community infrastructure.

➤ Helps maintain existing community character.

➤ Requires homebuilders to meet high standards for site design, architectural style, building materials, and landscaping.

➤ Ensures connections among schools, open space, pedestrian connections, and recreational facilities, either as part of the project itself or through fees, enabling both existing and new residents to have access to these important amenities.

➤ Encourages construction of a variety of housing types (such as single-family detached, multi-family buildings, custom lots, and granny units), home sizes, and affordability levels, creating neighborhoods that are architecturally and economically diverse.

➤ In combination with City's prior Redevelopment housing efforts, the RDCS has resulted in one of the most progressive affordability programs with 1 of every 10 housing units income restricted.

However, the RDCS also presents some significant challenges, including:

➤ The section of the Zoning Code (18.78) that includes the RDCS is almost 50 pages long, making this important local regulation lengthier than those in other cities, very difficult to read or understand for the average local resident or landowner, and even for experienced staff, developers, and elected officials.

➤ The point system is complicated. Projects are scored based on five categories of impacts to public facilities and 14 design and amenity criteria, with an extremely detailed range of points possible under each criterion. For example, a project within the "core area" (which is identified in Section 18.78.230 of the Zoning Code as "Exhibit B of Measure C, approved by the

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voters on March 2, 2004) will receive 4.5 points if it is within 4,200 feet of the central core area, but only 4 points if it is within 4,800 feet of the central core area.

➤ The system includes a variety of possible scoring categories to granting allotments among projects, creating a cumbersome and confusing system and protracted construction schedule, even for projects that meet all scoring criteria and are awarded a high number of points.

➤ The RDCS standards often impede design flexibility that could encourage superior design quality.

➤ The system requires significant staff time to administer. A study prepared for the City in January 2012 concluded that the RDCS application and monitoring process demands hundreds of hours of staff time.

➤ Because the system is so complicated, it discourages developers who are not already familiar with the system, or smaller home builders that may not have the resources to navigate the protracted process, from proposing projects in Morgan Hill, limiting the pool of talent from which the City could potentially draw.

➤ As Figure 3-2 shows above, the system does not lead to a predictable or steady pace of development, even though this is a major goal of the ordinance. Although projects that receive an allotment are supposed to begin construction by the end of the fiscal year in which the allotment is awarded, the City Council has the discretion to allow the allotment to continue, provided that the required findings for an extension of time can be met. Currently, although only about 225 allotments have been awarded each year over the past decade, building permits issued have ranged from a low of 25 in 2009 to a high of 431 in 2012.

➤ Homes must be designed and approved sometimes several years before they are actually constructed. Therefore, designs and cost factors for development run the risk of becoming outdated.

➤ The system has not resulted in a pattern of contiguous growth. Since the RDCS was instituted in 1977, residential growth in Morgan Hill has occurred in an irregular patchwork pattern, with fingers of subdivisions extending into former farmland west of Highway 101 and vacant parcels remaining along major roads like Monterey Road, Tennant Avenue, and East Dunne Avenue. This limits the community design plan and results in a non-contiguous development pattern that feels disorganized, is physically disconnected, and discourages non-vehicular transportation.

➤ The RDCS point system can limit site planning options. In some cases, the end project design may fit within the RDCS point categories, but may not fit with the surrounding development. This can lead to an irregular devel-

opment pattern, and poses challenges to develop small sites, such as those available in the downtown, because the sites are not large enough to incorporate features or amenities that meet all the RDCS scoring categories.

➤ It is difficult to respond to changing market conditions or project-specific issues because the system was established by ballot measure and even minor changes are not permitted without voter approval.

➤ Because it creates a process that focuses on individual projects, the system does not encourage a coherent and cohesive community-wide approach to growth.

➤ Scoring criteria is often a step behind market trends/demands, and is reactive rather than proactive.

➤ Highest scoring projects do not necessarily result in the best project. Projects may add design elements just to get points, while those elements do not improve the project. However, elements that would improve the project may not be proposed by the developer because the RDCS does not allow points for that type of improvement.

➤ Changes to project (even for the better) can be challenging because the developer must ensure that same number of points is maintained in each criteria.

➤ Artificially inflates the value of land once building allotments are obtained.

➤ Many RDCS projects change hands multiple times, creating more work for staff to monitor and process.

➤ The RDCS system results in projects being approved over many years, at small increments. This makes it difficult to finance and construct the project. This results in many areas with unbuilt RDCS allocations and particularly affects the ability of developers to produce market rate rental housing. This is partly because developers cannot get the funding in place for rental projects since the RDCS requires multiple phasing periods for large projects whereas banks require that these types of projects be in a reduced number of phases in order for them to "pencil out."

Recent Approaches to Growth Management

As stated above, a limited number of California cities have adopted development caps since the late 1980s. Instead, most of the recent growth management systems have sought to achieve similar goals through different means. In particular:

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> **General Plans.** General Plans typically contain an overall limit on the amount of development (i.e. population, dwelling units, square footage) during the time horizon of the general plan and, in some cases, urban growth boundaries, or urban limit lines that contain the overall geographical expansion of the community. Urban growth boundaries (UGB), or urban limit lines (ULL) establish a geographic limit where new development can occur. Since the 1990s, many California cities, and some counties are using UGBs and/or ULLs in place of housing, population, and non-residential development caps.[7] By bounding both the amount of development and the size of the community, this approach ensures that a community will meet the growth management goal of maintaining a limited overall size even if development is not limited on an annual or biennial basis. In addition to the RDCS, Morgan Hill has both a UGB and a ULL, as discussed in the Land Use and Urban Design white paper.

> **Specific Plans.** Specific Plans are typically put into place to regulate the overall amount, sequencing, and quality of development within a given geographical area. Specific Plans usually contain infrastructure financing plans as well. Experience and research suggests that Specific Plan areas are usually built out almost exactly as the Specific Plan calls for. The use of Specific Plans ensures that a community will meet a variety of growth management goals, including a predictable amount and type of development that is explicitly linked to the provision of community amenities and infrastructure, which are built (often at the developer's expense) at the same pace as the development itself.

> **Strong Development Standards.** Strong development standards, including form-based codes and/or design guidelines, are typically adopted to regulate the quality of development as well. These regulations are often contained in Specific Plans, though they are sometimes adopted separately. When Morgan Hill's growth management system was put into place, many communities believed that a competitive allocation system was the only way to ensure high-quality development. By contrast, many communities today simply require high-quality development of all applicants.

> **Upzoning and Downzoning.** Zoning in combination with General Plans can be used to lower or increase the intensity of a specific use, thereby regulating the amount of development allowed on a particular site and citywide.

> **Traditional Newer Growth Management Programs.** Where new growth management programs have been adopted within about the last 10 years by

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[7] Fulton, William and Paul Shigley. *Guide to California Planning, 4th Edition*, Solano Press, page 230.

cities such as Brentwood and Antioch, they are much simpler, the regulations are much shorter, and more flexible than the RDCS, while still regulating the amount and pace of development, and achieving quality development and amenities.

These new approaches to growth management reflect the evolution of thinking about community planning that has occurred in California over the past 35 years. These tools effectively regulate the overall amount and geographical expanse of growth; the final buildout and mix of development in specific geographical locations where new development is expected; the financial responsibility of new development to provide infrastructure and community amenities; and the quality of development.

The only features that a traditional growth management system contains that newer methods do not account for are the overall pacing of growth within a community and, in some cases, the geographical sequencing of that growth (though sequencing of General Plans, Specific Plans and infrastructure investment can accomplish this geographic sequencing). The biggest shift in thinking has been that these two features are not as important as they once were if all the other tools are in place. According to this view, the year-to-year pace of development is not as significant if the final buildout is highly predictable, and the competition is not necessary if high-quality development standards are simply accepted as the normal expectation. Also according to this view, geographical sequencing among various greenfield locations is not of great importance because Specific Plans contain detailed plans for each area's infrastructure and community amenities, which will be built as those neighborhoods develop with the costs borne by that neighborhood (either through impact fees, developer exactions, or Mello-Roos[8] or assessment districts).

A city may seek to favor development downtown or in other infill locations, but developers can be drawn to these locations through a series of financial incentives in the infill locations (admittedly more difficult with the end of redevelopment) and disincentives (e.g. the high cost of providing all infrastructure and community amenities in greenfield areas), rather than a regulatory approach that restricts the annual pace of development citywide, but provides an exemption for downtown.

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[8] A Mello-Roos is a special financing district formed to assess taxes, in addition to normal property taxes, to pay for bonds that finance public improvements on properties within the district.

This white paper examines the growth management systems of: Danville, Napa, Livermore, and Carlsbad to illustrate these more recent approaches to growth management.

Danville, California

The Town of Danville, located in Contra Costa County approximately 30 miles east of San Francisco, is an historic agricultural town that has grown significantly in recent decades and has enacted strong growth management policies. Unlike Morgan Hill, which has used only the growth management ordinance embedded in the zoning code, Danville has used a range of growth management tools in combination with one another, including countywide measures. These tools include the following:

> **Measure J.** Measure J is a Contra Costa County voter-approved program. It includes a half-cent sales tax to help fund regional transportation improvements, and 18 percent of this revenue had to be returned to the local jurisdictions to implement the growth management programs. In addition, all local jurisdictions are required to adopt the County ULL as its UGB. This regional approach to growth management ensures that new growth is focused in the urban centers and relieves pressure to develop areas outside the cities' UGBs.

> **Growth Management Goals and Policies in the General Plan.** As required by Measure J, Danville's General Plan includes several goals and policies to regulate growth in the town. These goals and policies include prioritizing development on vacant or underutilized land, demonstrating new development can be served by public services and infrastructure, and maintaining transportation level of service standards. To support the enactment of these goals and policies, the policies identify which implementation tools (e.g. UGB, capital improvement program, CEQA, development review) should be utilized.

> **Measure S.** Measure S was a successful ballot measure in 2000 that requires voter approval to change the General Plan land use designation for a property designated as Agricultural, General Open Space, or Parks and Recreation in Danville. Any proposed General Plan Amendment to one of these land use designations requires voter approval.

> **Tri-Valley Subregional Planning Strategy.** The Cities of Dublin, Livermore, Pleasanton, San Ramon, and the Town of Danville worked with the Association of Bay Area Governments (ABAG) and Bay Area Air Quality Management District (BAAQMD) to prepare a strategy that collaboratively addresses transportation issues in the region. The Tri-Valley Subregional Planning Strategy's five objectives addressed: the location and intensity of urban development, natural resources, transportation, housing, and eco-

nomic development. The Town of Danville incorporated the strategies relevant to the town in the subsequent update to the 2010 General Plan. These new goals and policies focused on environmental quality, transportation, jobs-housing balance, and regional cooperation.[9]

Napa, California

Napa, California is a City of approximately 77,000 people at the southern end of Napa County. Napa has successfully used boundary UGB known locally as a Rural Urban Limit (RUL), the boundary that identifies all land projected for urban development through 2020. Significant growth in the 1970s prompted Napa voters to adopt the RUL, which has remained unchanged for the past 30 years. The RUL has been successful in part because Napa County also has strong agricultural preservation policies in the form of Measure J, which requires a countywide vote to change the land use designation of agricultural land in unincorporated areas. In addition, the City's Land Use Element includes goals, policies, and implementation measures to support the continued maintenance of the RUL by coordinating with the County, maintaining an agricultural buffer to avoid potential land use conflicts, and monitoring the rate and type of development on an annual basis. All these policies have allowed Napa to maintain its character without an annual allocation system.

Livermore, California

The City of Livermore, located in eastern Alameda County, has an approximate population of 81,000. Like Morgan Hill, Livermore is a family-oriented community situated at the outer edge of the urbanized Bay Area and is surrounded by agricultural land and scenic hillsides. Livermore employs several strategies to meter the pace of growth so that there are sufficient services and infrastructure to serve new households. These strategies include:

> **General Plan Growth Management Policies.** The Land Use Element includes strong goals and policies that guide growth management in Livermore. The main tools the General Plan provides are the UGB, the Transferrable Development Credits (TDC) program, the Housing Implementation Program, and specific plans. These tools are described below.

> **Urban Growth Boundary**. Livermore's UGB completely surrounds the City. Voters approved the UGB in two phases: first with the passage of the South Livermore UGB in March 2000 and then with the passage of the North Livermore UGB in December 2002. The General Plan includes policies to regulate growth specific to each UGB.

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[9] Town of Danville. *Danville 2030 General Plan*, Chapter 3, Planning and Development, page 3-72.

> **Transferrable Development Credits**. The TDC program implements the North Livermore UGB. Land owners or developers of parcels designated for residential development and subject to the TDC program, may only develop land at the baseline density or must participate in the TDC program to develop at up to the maximum density allowed. Residential land subject to the TDC program is scattered throughout the City, as identified in the General Plan. To develop land at up to the maximum residential density allowed, property owners or developers must purchase a TDC which preserves open space and agricultural uses within the North Livermore UGB. Projects that include affordable housing may waive some or all of the TDC requirements and/or exceed the baseline density.

> **Housing Implementation Program**. The Housing Implementation Plan (HIP) administers the General Plan's growth management policies which call for an average annual residential development growth of 140 to 700 dwelling units. The General Plan requires that the HIP cover a 3-year period and determine a specific dwelling unit allotment for the three-year timeframe. Housing unit allocations must be based on the capacity of public services and infrastructure. The HIP sets aside 200 housing allocations each for the Downtown Specific Plan (until 2013) and the TDC program (until 2016). The 2011-2013 HIP allocated a remaining 150 units for projects outside of these programs. To be eligible for a HIP allocation, projects must be located within the City limit at the time of application and must meet the application procedures as established in the Development Code. Projects that include 35 percent of the units (or more) for very-low income residents and projects of four units or less are not required to participate in the HIP process.

> **Specific Plans**. The Downtown Specific Plan, South Livermore Valley Specific Plan, and the El Charro Specific Plan add additional layers of development regulation to three areas within Livermore. New development within these areas must comply with any applicable development standards, TDC requirements as applicable, the HIP program as applicable, density requirements, and anticipated maximum development projections.

Carlsbad, California

Carlsbad, California, located on the Pacific Coast in northern San Diego County, is known for its successful growth management program. With a population of approximately 108,000, this coastal community has successfully tied the provision of public services and infrastructure with new development. In the 1980s, Carlsbad experienced a building boom that put pressure on public services and infrastructure. In response to this growth, voters passed Proposition E, the City's Growth Management Ordinance, in 1986. The Growth Management Program (GMP) plans for an estimated Citywide buildout of 54,600

dwelling units or an estimated population of 135,000. This buildout estimate provided the basis of the Capital Improvement Plan, the plan that ensures the necessary infrastructure will be in place as development occurs.

The GMP divides the City into 25 geographic sub-areas, each of which has a Local Facility Management Plan that outlines improvements necessary to accommodate new development. In addition, the Local Facility Management Plan establishes any necessary development impact fees to help fund identified improvements.

The GMP requires that residential and non-residential development meet 11 Citywide public facility performance standards established in the Capital Improvement Plan, as well as the specific standards outlined in the applicable Local Facility Management Plan. City staff actively monitor the GMP to make certain that development and services are appropriately timed as well as to ensure that the growth cap is not exceeded.

Strengths and Weaknesses

The growth management systems described above all take different approaches to managing population and housing growth which may have an effect on the rate of growth cities achieve. As shown in Figure 3-5, the average annual rate of population growth from 2001-2010 ranged significantly between all the cities. The City of Carlsbad experienced the most drastic dips and growth spurts followed by the City of Morgan Hill.

Figure 3-5 Average Annual Population Growth, 2001-2010
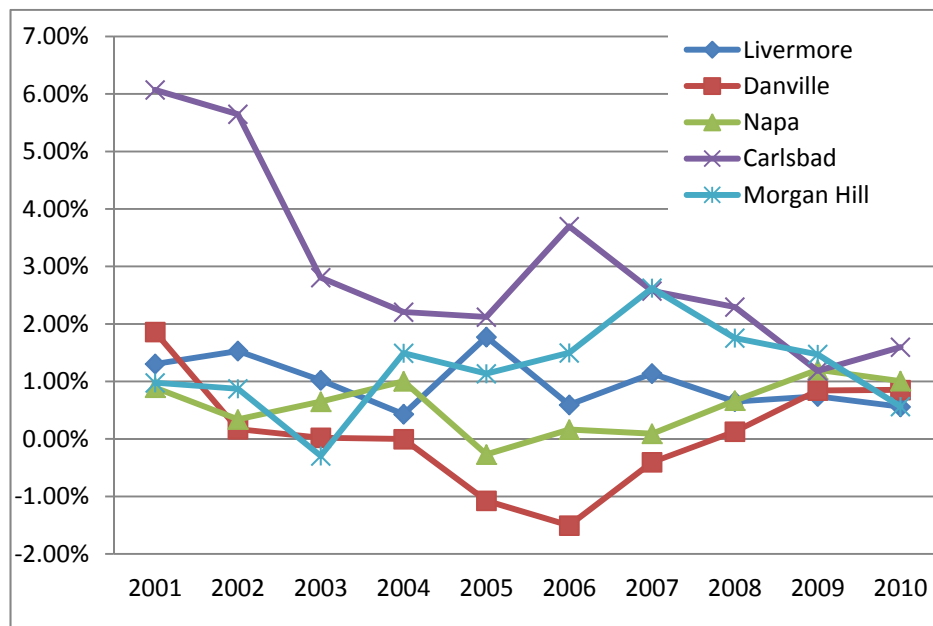
While the City of Napa only relies upon the UGB and General Plan policies to control growth, it had one of the slower, but steadier rates of population growth compared to the other cities (although similar to most cities, Napa's growth rate slowed during the recession), likely because of the strong Napa County growth management policies also in place. On the other end of the spectrum, the City of Carlsbad, who experienced the most extremes population dips and growth spurts, only approves development if there are sufficient services to serve the new growth. While Carlsbad relies upon an ultimate population cap, it does not try and control residential development on an annual basis which results in fluctuations in population growth from year-to-year.

Other notable benefits of the systems described above include:

> Both Danville and Napa rely upon mechanisms that avoid the administration of a complicated scoring system. The cities are able to achieve metered growth without investing additional staff resources to running and monitoring a residential allocation program.

> Livermore's strong General Plan policies and UGBs make it clear to the development community where the City would like to direct future growth.

> Livermore's TDC program helps the City achieve open space and agriculture preservation goals while giving developers expanded options on what types of projects they can build (i.e. at the base density or maximum permitted density).

> Carlsbad's growth management system ensures that new growth will not negatively impact the City's infrastructure and public services. The strong Capital Improvement Program ensures that the City will be able to continue to operate public services and infrastructure at the same high level of service that residents expect.

While these systems all have their advantages, no method is foolproof. Some of the significant challenges of the systems include:

> Livermore's Housing Implementation Program requires developers to compete for housing allocation units which necessitate additional staff time and resources.

> Carlsbad's GMP includes a layer of systems including the division of the City into 25 sub-regions. Although the system has managed growth well for the City, it does require active staff monitoring of a multifaceted system.

➤ The City of Carlsbad's GMP does not aim to control the level of growth on an annual basis. Therefore, there can be fluctuations in growth on a year-to-year basis. Although the GMP does ensure that existing infrastructure and public services will not be impacted by new growth, if a City desires a metered pace of development this system may not be the right approach.

➤ The City of Napa's uses the RUL and General Plan policies to control growth. Since these are the only growth management controls in place, the City may not be able to predict the rate of growth as well as cities that use other tools such as specific plans and yearly housing allocations.

Opportunities for Morgan Hill 2035

Based on the information contained in this white paper, the Morgan Hill 2035 process should consider the following in regard to growth management:

➤ Revisit the goals and priorities of Morgan Hill's growth management system, and assess whether the current Residential Development Control System is meeting those goals. If not, work with the community, City staff, Planning Commission, and City Council to fine tune the goals of the growth management system to meet the City's future needs.

➤ Design a streamlined growth management system that provides a population cap; a pace of development; quality design; and community amenities in a more efficient and effective fashion than the RDCS does.

➤ Consider adding policies to the General Plan that that help improve the administration and implementation of the RDCS.

➤ As part of the Zoning Code Update, consider simplifying the allocation scoring process to:

• Make the process easier to navigate for users.

• Reduce staff time used to score the applications.

• Prioritize the development features that encourage superior design quality.

• Improve the system to reflect the features demanded by the market.

• Ensure that the system generates the best projects, as opposed to projects that have the highest points.

➤ When considering revisions to the RDCS, collaborate with City stakeholders including developers, property owners, neighboring jurisdictions and regional partners to ensure that the system has broad-based support.

➤ To reduce staff time and costs associated with monitoring and reviewing the RDCS allocations, study whether the annual growth targets are meeting

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the City's needs. If not, identify other methods to implement growth caps and pace of development.

➤ Explore ways to improve the RDCS's ability to respond to changing market conditions, project modifications, and to generate more market rate rental housing.

➤ Consider approaches to using the RDCS as a tool to encourage contiguous growth and efficient use of land.

➤ Make changes to the RDCS to encourage a predictable pace of construction.

➤ Identify methods to increase the timing from permitting to construction to stay in touch with current demands and to reduce the artificial inflation of the land value once a project receives allocations.

THE CITY OF MORGAN HILL RESIDENTIAL DEVELOPMENT CONTROL SYSTEM
GENERAL PLAN ADVISORY COMMITTEE
April 25, 2013

History of Residential Development Control

The City of Petaluma pioneered growth management in the early 1970's. Petaluma limited building permits to 500 per year based on a point system to provide low and moderate income housing and divide development geographically, and between single family and multi-family housing. Petaluma also created an Urban Growth Boundary (UGB) around their town to contain urban expansion. Petaluma's growth management program has successfully withstood legal challenges.

Measure E

Morgan Hill's Residential Development Control System (RDCS) was enacted by voter initiative (Measure E) in 1977. It was based on Petaluma's growth control program. Morgan Hill's RDCS was enacted in response to period of rapid residential growth in the mid 1970's.

Measure E applied to all residential development except small projects of four dwelling units or less and housing for the elderly. It granted allotments based on a point system, divided development equally east and west of Monterey Road, and between single and multi-family dwellings and mobile homes. The number of allotments was limited every year based on a population cap of 30,000 residents.

Measure P

In 1990 the City completed a General Plan Update (GPU) to the year 2010 with a planned population of 38,800. Those provisions were confirmed by a vote of the people, and enacted as a result of ballot Measure P.

Measure P changed some details on number and types of dwelling units, and divided new allotments to be one-third west of Monterey Road, a third between Monterey Road and Highway 101, and one third east of 101.

Measure P imposed Urban Service Area (USA) restrictions on the addition of any land to the USA until the amount of undeveloped, residential land within the existing USA was insufficient for five years' worth of residential growth. Measure P allowed the city to make some exceptions to the USA restrictions for "desirable in-fill" of small sites, abutted by the City (per certain criteria). The City Council established desirable infill standards under Council Policy CP-94-04.

Measure C

Measure C was approved by the voters in 2004 to address concerns by the State that the RDCS impeded housing production. The Measure established a population ceiling of 48,000 by 2020, based on a General Plan Update by the City in 2001. The higher population cap increased the annual building allotment to approximately 250 dwelling units. This removed the RDCS as an impediment and the State then certified the City's General Plan Housing Element in 2006 and again in 2010. Measure C applies to all residential development except second dwelling units (granny units) and one unit developments.

Measure C eliminated the requirement to distribute allotments geographically to different parts of town. The Measure required the City to reserve a portion of the building allotment through

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FY 2009-10 for small vertical mixed use development in the Downtown, with ground floor office or retail and up to 15 residential units on the second story or above.

Measure F and Measure A

In 2006, the voters amended Measure C through ballot Measure F to allocate up to 100 additional units for projects of up to 25 units within the downtown core, south of Main, north of Dunne, east of Del Monte, and west of the railroad tracks (Downtown Core).

The City adopted a Downtown Plan in 2003 to encourage more housing in the downtown, to strengthen support for businesses, and establish a viable downtown neighborhood. Measure F was intended to allow flexibility for projects of up to 25 units in the Downtown Core to obtain residential unit allotments outside of the established allotment process.

The Downtown Plan was updated as a Specific Plan in 2009. The City Council placed before the voters in May 2009 a measure to exempt the Downtown Plan area from the RDCS. The voters approved it, exempting up to 500 dwelling units in a 20 block area of the Downtown from the requirements of the RDCS. Exempt projects require a development agreement and must conform to the Downtown Design Guidelines. The population from the 500 units will count toward the 48,000 population cap established under Measure C.

Purpose of the RDCS

The RDCS sets a future population cap for the City and provides a method for evaluating proposed residential developments and issuing a limited number of development allotments each year to the highest scoring projects. Those projects successful in being awarded allotments are then able to submit planning entitlement applications as the next step in the development process. The RDCS has helped to assure that residential development pays for itself and that the rate of development does not outstrip the availability of public services and infrastructure to serve the City's residents.

Under Measure C, the RDCS has fostered balanced growth in the City. The City has achieved a manageable level of development, and has encouraged more efficient patterns of development by directing growth to areas that are contiguous to existing development and served by adequate infrastructure. The RDCS has helped the City preserve a diversity of housing opportunities, including a good stock of high-quality affordable housing. It has helped maintain the vitality of the City while preserving its open space resources.

The RDCS Building Allotment

The number of allotments is determined biennially using the California Department of Finance's (DOF) most recent population estimate for the City. The estimated population is subtracted from the 48,000 cap, divided by the persons per household in Morgan Hill, and then divided by the number of years remaining between that population estimate date and 2020.

Allocation Categories

The following Allocation Categories are available per City Council Policy CP-07-04:

1. Small Projects: Residential development of 7-15 units.

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2. Micro Projects: A maximum of six (6) dwelling units.

3. Custom Lots: A project that allows individuals to purchase lots where the original developer can retain ownership of up to 50% of the lots. The balance of the lots must be made available for purchase by individual builders who wish to construct homes

4. Multi-family Rental Projects: A development of any size providing market rate rental housing, typically apartments.

5. Small Vertical Mixed Use Projects: A maximum of 15 dwelling units with a mix of ground floor retail or office typically in the Downtown, or mixed use zones.

6. Senior Housing: Housing for persons 55 and older and 25 units or more.

7. Open/Market Rate Housing: Housing of any type typically consisting of projects of more than 15 dwelling units.

In June, the Planning Commission recommends and the City Council approves the allocation categories for the next RDCS competition. The Council may conduct a single, or two year competition. The Council also approves a preliminary distribution of the available building allotments to the approved allocation categories. The categories may be adjusted by the Planning Commission to respond to changes in the housing market.

Evaluation Process

The staff must review each application and determine whether or not the proposed development conforms to the city's General Plan and Zoning. Then staff evaluates each project and awards points based on how well it meets the established criteria in 19 categories.

The intent of the point evaluation is to encourage competition and to promote additional effort which creates innovative designs that satisfy user needs. The standards and criteria for each of the scoring categories are listed in Sections 18.78.210 through 18.78.340 of the Municipal Code.

Award and issuance of allotments

After successful completion of the evaluation, the projects which have received the most points will be eligible for allotments and ultimately building permits after obtaining all other required entitlement approvals.

Dwelling units that are allocated for one fiscal year and not physically commenced by the end of that fiscal year shall lose their allotment and must reapply for a development allotment if desired by the developer. An Exception to the Loss of Building Allotment (ELBA) may be granted by the City Council if the cause for the lack of commencement was the City's failure to grant a building permit for the project due to an emergency situation or extended delays in environmental reviews, delays not the result of developer inaction, or allotment appeals processing (the City Council has established a separate ELBA evaluation policy). Projects that include the sale of individual lots for custom development by individual purchasers shall be given an additional 24 months to commence construction.

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Building Allocation Time Line

Building allocations are awarded for a given fiscal year. A property owner or developer must commence construction of the building allotment by end of that fiscal year. The filing date under the RDCS process has been established to provide sufficient lead-time to receive all necessary approvals, financing, etc., prior to the issuance of building permits, and commencement of construction. Projects that comply fully with the established time line have a full 12 months of the fiscal year of the award in which to physically commence construction on the development.

Definition of Physical Commencement

A project shall have physically commenced development upon issuance of a building permit and completion of the following improvements:

Installation of on-site and off-site improvements including grading and certification of the building pad by the Building Division and completion of one or more of the following:

 a) Excavation of the footings and foundations for the dwelling unit
 b) Installation of water or sewer laterals to the relevant units

Post Award: Approval of Residential Development Agreement

A Development Agreement (DA) is required for RDCS projects as a formal contract between the developer and the City; it formalizes the commitments made during the RDCS process including fee commitments for safe routes to schools, open space, parks, affordable housing, circulation and public facility improvements. The DA also establishes the project milestone deadlines including the 'commence construction' date. Approval of a DA requires noticed public hearings before the Planning Commission and City Council.

Role of Staff, Planning Commission and City Council

Staff's role under the RDCS process includes:
- Determine biennial building allotment for the next one or two year RDCS competition and recommend distribution of the allotment by allocation/competition categories
- Conduct pre-competition orientation meetings for new and returning applicants.
- Complete Preliminary Evaluations/meet with applicants to discuss scoring results
- Evaluate RDCS applications for consistency with General Plan and Zoning.
- Conduct RDCS competition and project evaluations for Planning Commission
- Process any RDCS appeals
- Work with Planning Commission Subcommittee to review standards and criteria following competition, to determine whether any changes are necessary for the next allotment year.
- Conduct Quarterly Monitoring of project progress.
- Prepare Quarterly Monitoring Reports for Planning Commission and City Council
- Prepare DAs for Planning Commission and City Council consideration.
- Process requests for extensions of time/exceptions to loss of building allotment
- Administer the affordable housing Below Market Rate (BMR) program

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Role of the Planning Commission:
- Approve project evaluations and award building allotments
- Subcommittee considers amendments to evaluation criteria
- Recommends distribution of allotment by allocation/competition categories for the next RDCS competition
- Recommends approval of DAs and DA amendments
- Provides recommendations to the City Council on amendments to DAs time extension requests

 Role of the City Council:
- Approves distribution of the allotment by categories for next competition. Considers appeals of determination that RDCS application is inconsistent with General Plan and or Zoning.
- Considers appeals of RDCS project evaluations
- Appoints Councilmember to serve as liaison to Planning Commission Subcommittee to consider amendments to the evaluation criteria
- Approves DAs and amendments
- Adopts policies to provide direction on the RDCS
- Awards second or third year building allocations to complete a project
- Considers revocation of building allotments for projects that are behind schedule and may award unused allotment to a next in line project
- Approves or denies amendments to schedules and extension of time requests

Relationship of RDCS to General Plan

Community Development Element

The RDCS is part of the General Plan Community Development Element. The provisions enacted by Measure P in 1990 and refined and extended by votes of the people in 2004 and 2006 apply to all residential development in the City. The provisions in the General Plan address the following:

- Requirement of Development Allotments
- Number of Development Allotments
- Development Allotment Applications and Evaluations
- Emergency Situations
- Open Space Conversions
- USA Restrictions (refer to section of the report on Measure P)
- Urban Services Extensions

Housing Element

The RDCS and General Plan require that 20 percent of all allotments be for affordable housing. These projects are typically built by nonprofit housing providers with funding support from federal, State and local agencies, including, in the past, the City's former Redevelopment Agency.

The Housing Element requires the city to annually evaluate the outcome of the RDCS allocation process to determine if adjustments are advisable to maximize the production of market rate and affordable housing. The Housing Element also requires the RDCS to provide:

- Variety of Housing types and densities within the community
- Monitor and Implement RDCS to ensure an appropriate percentage of new market rate housing is affordable to lower, median and moderate income households
- Provide incentives for affordable developments through the RDCS to BMR and other affordable projects.
- Reserve a portion of the annual RDCS allocation for affordable housing

RDCS as a Tool to Implement Policy

As noted above, the RDCS helps implement City policy. RDCS Housing Needs Criteria encourages developers to provide up to 13 percent of housing units affordable to lower and median income households under the City's BMR program. The Open Space category implements the Open Space Element of the General Plan that calls for the preservation of hillside open space. The RDCS encourages developers to commit to purchase and transfer development rights from hillside properties or pay an open space in lieu fee to the City's Open Space Fund. The Quality of Construction and Natural & Environment categories of the RDCS provide incentives for energy efficient housing and Build-it-Green standards. The Landscape and Lighting category of the RDCS include criteria encouraging the conservation of water in common areas and front yard landscaping.

The Economy and its Impact on the RDCS

The recession has had a negative impact on housing production in Morgan Hill. This has prompted Council to create incentives, such as the BMR Reduction Program, where eligible projects received a waiver of their BMR commitment provided the developer commenced construction by 2012. The BMR reduction program helped reduce developer costs, but negatively impacted the City's affordable housing programs.

The inability of property owners and developers to obtain construction financing resulted in numerous requests for ELBA's and DA Amendments to extend project development schedules. Some projects received extensions of more than 72 months. Processing and monitoring these requests and the growing backlog of projects has increased the staff work load.

Summary of Themes from Growth Management Symposium
May 29, 2013

On May 29, 2013, the City of Morgan Hill held a symposium on growth management as part of the Morgan Hill 2035 project. The symposium was organized as a panel discussion of City staff from other California cities with growth management systems, as well as experts on growth management in California, in order to learn from other cities what has worked well and what hasn't. Panelists responded to questions from a moderator and from the audience. The key themes heard at this symposium are summarized below. The themes and ideas discussed at the symposium will be more fully developed in the upcoming and policy development and growth management ordinance phases of the Morgan Hill 2035 project.

David Early, Principal-in-Charge of the Morgan Hill 2035 project for lead consultant The Planning Center | DC&E, moderated the panel.

Panelists

Jeff Loux, former Planning Director, City of Davis and former Assistant Planning Director, Santa Cruz County; currently Director of the Land Use and Natural Resources Program and the Center for Water and Land Use at UC Davis Extension

Stephen Riley, Principal Planner, City of Livermore

Pamela Tuft, former Planning Director, City of Petaluma

Debbie Whitmore, Planning Manager, City of Turlock

Bill Fulton, former Mayor of Ventura and growth management expert

Characteristics of other growth management systems:

Ventura

» Goals of growth management are to pace growth and increase the quality of development.

» Has an Urban Growth Boundary (UGB) and is surrounded by active agriculture.

» Caps growth at 1 percent per year.

» Residential Growth Management Program (RGMP) was overhauled and simplified as part of a 2005 General Plan Update to eliminate the biennial cap on development allocations and the competition for allocations.

» The City's General Plan policies, Zoning Code, and design standards establish requirements and expectations for high-quality development that apply to all projects, rather than having a competitive "beauty contest."

Livermore

» Has had growth management in place since the 1980s and adopted a simplified growth management system in 2010.

» Has a UGB and is surrounded by rangeland, vineyards, and agricultural land.

» Adopted design standards and guidelines and a new development code to require high-quality development.

» Does not have a population cap.

» Limits growth to around between 140 to 700 units every three years, but does not require a competition for allocations.

» The City Council can choose higher or lower numbers (within the allowed range) during each 3-year cycle, based on activity in previous cycles.

» Prepares a community infrastructure report every two years that is linked to development fees.

» Focus is on infill development.

Turlock

» Does not have a population cap, annual allocation limit, or a competition for allocations.

» Relies on a system of Master Plan or Specific Plan areas, established in the General Plan. Only one Master Plan area is allowed to be considered for development at a time; all other areas must wait for their turn.

» Master Plans focus on infrastructure and establish the basis for a complex fee system. The City does not reduce or forgive fees.

» Prohibits annexation until there are less than 500 acres of vacant land left within the City limits and 70 percent of building permits have been issued for all active Master Plans in the City.

» Goal is to ensure that new development does not place a burden on existing residents.

Petaluma

» City Council adopted first Residential Growth Management System (RGMS) in the early 1970s. After it was upheld by the courts, RGMS became a model for growth management in Morgan Hill and other communities.

» Original system controlled growth but did not adequately address the quality of development, so City developed stronger residential design guidelines and design review process.

» Has an Urban Growth Boundary that has remained largely unchanged since it was first adopted in 1987 and has formally identified community separators with other communities.

» Current General Plan, adopted in 2008, allows 500 allotments per calendar year, with some flexibility. However, this maximum allotment has not been reached in any year since the 1970s, so it is not necessary that projects compete for allotments.

Davis

» Growth in Davis historically mirrored the growth of UC Davis.

» City has stopped growing outward because of a voter initiative to stop peripheral growth.

» Vote of citizens required to change property from an agricultural use to a development use, and no projects have succeeded. The Agricultural Mitigation Ordinance requires that if project does build on agricultural land, developers must purchase an equal amount of land or an easement around the city to replace the converted land.

» Growth management system is based on 5-year rolling allotments for single-family homes only; apartments are exempt.

» The City rarely ran out of allocations because so many other rules and regulations are in place, including development impact fees, an inclusionary housing policy requiring 25 percent of all projects to be below market rate, and design standards.

» However, during hot markets, the allocation system offered significant benefits as developers included new parks, trails, and other amenities to accelerate their allocations into earlier years.

Santa Cruz County

» Has an Urban Limit Line around incorporated cities.

» Has extensive farmland protection and environmental resource protection policies

» Board of Supervisors determined growth rate each year, which must be less than 2 percent per year due to infrastructure limitations.

» Permits are given out on a first-come, first-served basis. The market does not produce enough units to use all of the allowed permits in a given year, so no competition is necessary.

The "beauty contest"

Many speakers referred to the "beauty contest" component of a growth management system. When a system includes an annual cap or rolling cap on the number of allocations given out, and there is more demand than supply of allocations, the community must determine a method of deciding who gets the allocations. If the decision is made based on which project is better (as opposed to, for example, first-come, first-served), that is the "beauty contest."

Livermore and Ventura both had beauty contests in the past that functioned similarly to Morgan Hill's, in which projects compete based on design and amenities. Both cities have done away with this component and cited the following drawbacks.

» Staff evaluations are subjective and appointed or elected officials sometimes disagreed with staff scoring.

» Awarding points for cash payments, for example to the parks district or school district, did not contribute to good design and biased the process.

» Developers of adjacent properties would not cooperate to solve problems because they were competing against each other.

» Rules as to how decisions were made or what criteria to use changed frequently with changes in Council or staff.

» Spreading awarded allocations among various projects resulted in "dribs and drabs of patchwork development" spread across the community, which does not allow efficient growth patterns, infrastructure or services.

Several of the communities have found different tools to encourage high-quality development without a beauty contest.

» Petaluma used a variety of General Plan policies to require all projects to provide a mix of housing, focus on infill rather than greenfield development, remain within available school capacities, mitigate environmental impacts, and focus on specific geographic areas of the city. Petaluma Planning Department staff worked closely with developers to help them design a project that would comply with the General Plan.

» Davis has a range of ordinances and requirements to attain the type of development the City seeks, such as requirements for solar accessibility, landscaping, and affordable units.

» Turlock allows only one Master Plan area to develop at a time. Within that area, the City issues allocations on a first-come, first-served basis based on which project receives a tentative map first. The City has adopted stringent design standards and guidelines and Council has directed staff to do very thorough design review. Turlock's high standards and firm development fee requirements have had the effect of metering growth.

» After discarding their beauty contest, Ventura continued to manage growth by constraining geographical outward expansion with the UGB. Quality of development and availability of infrastructure are managed through a requirement that any project over 20 acres must have a Specific Plan and a Development Agreement. This became a de facto allocation system because the City could only process so many Specific Plans at a time. The City allowed developers to buy their way to the front of the line for Specific Plan preparation and approval.

Population caps and horizon years

» Petaluma has a projected population, but not a population cap. In order to accurately predict when the cap will be reached, the current General Plan (adopted 2008) looked carefully at land absorption (i.e. the amount of land developed), and the General Plan includes a policy requiring minimum densities as well as maximum densities in order to provide reliable estimates of the amount of development likely to occur on a given parcel.

» Davis has a population target of 75,000 in its General Plan, but this is not operationalized into a restriction on percent or amount of population growth per year.

» Ventura's RGMP is based on a population increase of about 1 percent per year. This number is well-accepted in the community. The current General Plan assumed 1 percent per year over 20 years, which would have resulted in 8,316 units in 20 years, or an average of about 400 units per year. Eight years after General Plan adoption the City was nowhere close to that number. The new General Plan update, scheduled to begin in 2015, will have to consider whether the 1 percent per year rate should change.

» Livermore and Turlock do not have population caps.

Exemptions

» Ventura's system carves out an exemption for downtown units. However, this "pull" for downtown development didn't have immediate results due to lack of market demand. The adoption of the UGB successfully created a "push" to downtown and stimulated infill development.

» Livermore exempted units DT and in targeted areas of the South Livermore Valley Specific Plan area. Allocations were automatically granted in targeted areas with no competition.

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》 Petaluma set aside a certain number of allocations for various Specific Plan areas, including their Downtown.

Schedules

》 For communities that do or did have a competition, Petaluma, Davis, and Ventura had or have a deadline for applications, and allocations were only issued once a year.

》 In Livermore, allocations are issued at different times within the three-year cycle, based on which project receives a tentative map first. There has not yet been a situation in which all allocations were used up while other projects were still "in the queue."

》 In Santa Cruz County, allocations were given out over the course of the year on a first-come, first-served basis.

Small developments

》 Ventura's UGB triggered an influx of many smaller projects, from five to 20 units, competing against each other. Smaller projects had to meet lower requirements for review.

》 Petaluma set aside 45 units for smaller projects and allowed a streamlined review process for smaller projects.

Community benefits

》 Petaluma does not exact community benefits in exchange for the right to develop. Development impact fees are based on the City's vision and the costs to achieve the quality of life standards that the community established in the GP, such as acres of parkland, distance from all homes to a park, or the number of police and firemen on duty per shift.

》 Livermore no longer has a competitive program based on amenities offered, but has a fee structure that fully mitigates impacts to schools, streets, parks, and other services. The City also obtains amenities through Planned Development permits: if a developer wants to deviate from established standards, the City requests a corresponding modest amenity. Improvements are kept close to the project site and are directly related to the development.

》 In Ventura, the competitive process did not seem to result in any extra benefits that the City couldn't have demanded through requirements on all projects. When the market was strong, developers provided amenities, and when it was weak, they did not.

》 In his role as an observer of development in California, Mr. Loux commented that developers are often willing to offer increased amenities in exchange for the increased certainty provided by a Development Agreement.

Backlog

In general, after a community issues allocations, the developer may not seek building permits immediately. Market forces affect the rate of construction much more directly than the rate at which the community awards allocations. A project that has received allocations may remain unbuilt for an extended period of time, during which other projects are also receiving allocations. This results in a "backlog" or "overhang" of unbuilt units that can significantly exceed the number of allocations awarded per cycle.

» Ventura did not include an expiration date on its allocations. Instead, they considered adopting an amortization process to phase out older allocations after a certain number of years, or imposing a new expiration date as a condition of allowing a developer to tweak or redesign a project that had previously received allocations.

» In Livermore, projects that receive allocations are given 2 years to get to a final map, or else the allocations expire.

» In Turlock, allocations are tied to the approval of a tentative map (or a site map for apartments). The tentative map must be approved within 2 years of award of allocations. Once a tentative map is approved, its expiration is based on the time limits established by the Subdivision Map Act.

Geographic focus

Of the communities represented, Turlock had the most rigorous system of allocating growth to specific locations. Petaluma and Livermore both use Specific Plans to direct growth to certain areas, while Ventura's original system did not attempt to focus development in particular locations. In communities that limited growth through an allocation system, it was often the case that allocations were spread among multiple projects so that "everyone gets something."

» In Ventura, the RGMP fragmented development, and resulted in half-built neighborhoods and scattered small neighborhoods. This detracted from the fabric of the individual neighborhoods and the whole community. The City shifted to Specific Plans and better development codes to address this issue, but gave up regulating the pace of development.

» Turlock's policy of allowing development within only one Master Plan area at a time has been a great success and is strongly supported by the community, elected leaders, and local developers. The Council and the public appreciate that neighborhoods develop fully as whole, provide complete communities, and that projects look finished. Each project is high quality because it must comply with strong design guidelines. Developers appreciate the clarity and know when they will get their turn and understand that the City will initiate the next Master Plan when building permits have been issued for 70 percent of the current Master Plan area.

» Turlock enjoys very good cooperation from developers, because the developers don't compete for allocations. They wait to develop their project within the Master Plan area. The City requires that roads, stormwater, and other infrastructure be in place before homes are built. Development impact fees are set up so that the early developers within a Master Plan area will be reimbursed later for installing major infrastructure components that will be necessary to serve the area outside of their individual project.

» Mr. Loux commented that the City of Woodland has a similar Master Plan approach and geographic focus. In that community, which has many young families, the strategy is intended to support school building. With piecemeal development, every school was impacted, but none was able to get funding for improvements.

Connections between growth management and commercial growth

Restricting the amount of residential development allowed can have the effect of over-zoning for commercial land. Most communities represented on the panel had not experienced negative impacts on retail, office, or industrial development as a direct result of growth management.

» Ventura found that changes in its jobs-to-housing ratio, had more to do with the regional job and housing market than with restrictions on housing supply in Ventura.

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» In the 1980s, Petaluma experienced both strong residential growth and strong job growth, even under the growth management system.

» Retail weakness in both Petaluma and Davis is attributed to those Cities' anti-big-box policies, not to growth restrictions.

Lessons learned

Morgan Hill's RDCS was enacted by the voters and has been passed with a two-thirds majority each time it has been renewed. The evening closed with a question to each panelist: How can we create a new growth management system that will continue to garner strong community support?

» Acknowledge that there is a long history of growth management in Morgan Hill, but also that things have changed.

» Growth management is driven by the desire to be a community of a certain size. The ultimate size of a community has at least as much to do with its geographical location as it does with metering growth each year.

» Understand what the community likes about the current system and what the goals of the system are. What is important to the community? What makes Morgan Hill Morgan Hill? Wine country, Downtown, open spaces? For example, Turlock values commitment to high-quality development and parks and recreation areas, and cares less about limiting growth. Residents like the way Turlock looks and like the services provided. Don't change what people like about the system and its outcomes unless a new system can accomplish the same goals.

» When considering changes, get input from all stakeholders. To develop its new system, Livermore used a Growth Management Review Committee with both citizens and developers.

» Before talking about the specifics of a growth management system, be sure you are rooted in General Plan goals and policies. Putting policies in the General Plan provides something for staff and officials to fall back on when developers don't bring quality projects. Put as much direction as possible into the General Plan, then simplify the growth management process.

» Growth management does not have to solve all of the community's issues. Consider how all other tools work together: UGB, Downtown Specific Plan, Design Guidelines, etc. The growth management system does not need to duplicate these other tools.

» Break the system down into the simplest parts and build it back up without losing key benefits. Focus on what is really important in high-quality development and community character: location, design, and amenities.

» Determine whether lengthy project extensions should be granted. The communities represented at the Symposium tend to not give multiple extensions.